



## State Senator Sheila Harsdorf

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Date: December 8, 2011

To: Senate Committee on Agriculture, Forestry and Higher Education

Fr: Senator Sheila Harsdorf

Re: Senate Bill 260 – Timeframe for claiming the Dairy Manufacturing Facility Investment Credit by cooperatives

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Chairman Schultz and Committee Members,

Thank you for holding a hearing on Senate Bill 260, which seeks to provide members of a dairy cooperative with the flexibility to claim the Dairy Manufacturing Facility Investment Credit in either the current or next tax year. While I am unable to attend the public hearing to personally testify, I would like to share written testimony to highlight the importance of enacting this change.

Under current law, a member of a dairy cooperative may claim the Dairy Manufacturing Facility Investment Income Tax Credit based on amounts paid in the tax year by the cooperative to modernize or expand its dairy operation. The dairy cooperative member claims an amount that is in proportion to the amount of milk that the member delivers to the cooperative. The cooperative member claims the credit for the tax year in which the dairy cooperative pays amounts to modernize or expand its dairy operation.

Currently, the Department of Revenue notifies cooperatives regarding the amount of the credit they are eligible to receive in the summer of the tax year the credit is to be claimed. The timing of this notification is challenging to cooperatives, as the credit is passed through to their members, many of which would have to file amended tax returns to receive the credit. Given the size of the credit that is distributed to cooperative members, it is often not worth the cost to refile an amended tax return in order to claim the credit. This bill allows the member of a dairy cooperative to claim the Dairy Manufacturing Facility Investment Credit in either the tax year in which the dairy cooperative makes the eligible expenditures or in the next tax year.

This issue was brought to my attention by a dairy cooperative in my district that had made significant improvements in their plant, but whose members found it difficult to receive the tax credit for these investments. The Dairy Manufacturing Facility Investment Credit is an important component of economic development and job creation in rural areas and this legislation would improve the administration of the credit for cooperative members.

The Committee should also be aware that recent discussions have been occurring between the Department of Revenue, Department of Agriculture, Trade, and Consumer Protection, and staff from the Cooperative Network on this matter. I anticipate that their discussions may produce an alternative approach to addressing this matter. I will be sure to keep Committee members updated as this process reaches a conclusion and as amendments may be brought forward. Thank you for your consideration of this issue. If you have questions or concerns, I would welcome hearing from you.



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December 8, 2011

To: Senator Dale Schultz, Chairman, Senate Committee on Agriculture, Forestry, and Higher Education, and Committee Members

From: David Ward, Director of Government Relations & Dairy, Cooperative Network

Re: Support of Senate Bill 260 (SB 260)

Thank you for holding a hearing on SB 260 which will allow a dairy cooperative to claim the Dairy Manufacturing Facility Investment Credit in either the taxable year in which the dairy cooperative makes the eligible expenditures or in the next taxable year.

The Dairy Manufacturing Facility Investment Credit represents up to a maximum of 10% of the amount paid in the taxable year for dairy manufacturing modernization or expansion related to the claimant's dairy manufacturing operation. The credit was put in place to provide an incentive for Wisconsin's dairy processors to add value to the more than 26 billion pounds of milk produced by Wisconsin dairy producers. The way the credit was originally worded dairy cooperatives could not take advantage of the Dairy Manufacturing Facility Investment Credit because of the taxing structure of cooperatives. In Wisconsin more than 60% of the cheese is made by cooperatives. In 2007 the Legislature passed language that would allow dairy cooperatives to pass through any Dairy Manufacturing Facility Investment Credit to its members.

Several cooperatives have taken advantage of this and have experienced some problems with the timing of notification that made it difficult for cooperative members to claim the credit. SB 260 attempts to correct the timing issue by allowing the member of a dairy cooperative to claim the dairy manufacturing facility investment credit in either the taxable year in which the dairy cooperative makes the eligible expenditures or in the next taxable year.